


MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

A N N U A L R E P O R T

For the year ended December 31, 1977



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Mala0325_1977

Malartic Gold Fields (Quebec) Limited

(No Personal Liability)

OFFICERS

J. C. L. Allen

President

P. A. Allen

Vice-President

R. C. Stanley, Jr.

Vice-President

F. A. Godfrey

Vice-President, Mining

E. J. Wade

*Vice-President, Engineering and
Administration*

D. G. Sheehan

Vice-President, Exploration

I. T. H. Hamilton

Secretary and General Counsel

E. Bettiol

Manager

DIRECTORS

P. A. Allen

J. C. L. Allen

I. T. H. Hamilton

R. C. Stanley, Jr.

D. C. Webster

TRANSFER AGENTS

Canada Permanent Trust

Toronto, Ontario

AUDITORS

Thorne Riddell & Co.

Toronto, Ontario

HEAD OFFICE

Suite 1900, 101 Richmond St. West

Toronto, Ontario M5H 1T1

Tel.: (416) 868-1300

MILL OFFICE

c/o East Malartic Mines Ltd.

Box 1150

Malartic, Quebec J0Y 1Z0

Phone (819) 757-3691

President's Report

In 1977, Malartic Gold Fields had a consolidated loss before extraordinary items of \$235,821 principally caused by heavy exploration commitments and property expenses. On a reorganization in mid 1977, Malartic disposed of an investment in an associated company for a book loss of \$862,889 giving a total consolidated loss of \$1,098,710. Consolidated working capital was increased however from \$1,021,037 in 1976 to \$1,332,355 in 1977, as a result of the above-mentioned reorganization; this has allowed Malartic to maintain its participation in Long Lac Mineral Exploration.

Malartic Gold Fields is presently a holding company whose principal assets consist of: control of East Malartic Mines Limited (No Personal Liability) (holding 38.0% of East Malartic's outstanding shares) and a custom gold mill 4.5 miles east of the town of Malartic, Quebec. The mill is presently on standby and is capable of 1,000 tons per day on short notice with expansion potential to over 2,000 tons per day within a few months' notice. A used ball mill was recently purchased to facilitate expansion. The cost of replacing the custom gold mill far exceeds the value at which it is recorded in the Company's statements.

Malartic Gold Fields also has a 10.21 percent interest in any earnings from Long Lac Mineral Exploration Limited through its contribution of \$1.01 million to Long Lac Mineral's expenditure of \$9.88 million since its incorporation in 1967. A report on the operations and results of Long Lac Mineral Exploration is included with this report.

The Company's auditors require that it employ the equity method of accounting whereby earnings or losses in effectively controlled companies (see notes to financial statements) are reflected pro rata according to share position held by the holding company. These entries on the earnings statement do not represent cash transfers and generally have the effect of causing swings in the reported earnings of the controlling company.

In December, Mr. Frank A. Godfrey was appointed Vice President, Mining, bringing extensive experience to the Company, and Mr. Ed Bettiol was appointed Manager of Malartic Gold Fields.

27 March 1978

On behalf of the Board of Directors

J. C. L. ALLEN
President

1977 REPORT

Long Lac Mineral Exploration Limited, the exploration arm of a group of companies controlled by Little Long Lac Gold Mines Limited, has concluded its most successful year to date with the discovery and exploration work on two mineral deposits in the Cadillac region of Quebec. Long Lac Mineral was formed as a private company in September 1967.

Exploration by Long Lac Mineral during 1977 focussed mainly on gold in the Cadillac region of northwestern Quebec and on uranium in the Elliot Lake area of central Ontario. Foreign exploration was carried out in the United States and Spain. Exploration field offices were maintained in Malartic, Quebec and Vancouver, B.C. Direct net exploration expenditures for the year amounted to \$1.45 million and acquisition costs of \$2.32 million were made to purchase shares mainly in Thompson Bousquet Gold Mines Limited (N.P.L.) and Silverstack Mines Limited (N.P.L.). An additional \$0.97 million was spent on development at Thompson Bousquet for a total outlay of \$4.74 million.

Cadillac and Bousquet Regions

In 1975, Long Lac Mineral optioned a gold property in Bousquet Township in North Western Quebec owned by Thompson Bousquet Gold Mines. In 1976, an ore body was discovered with sufficient gold mineralization to warrant underground exploration and development. Subsequently, control of Thompson Bousquet Gold Mines, which held a 40% interest in the potential profits from the property under the option agreement, was acquired.

Exploration was completed on the Thompson Bousquet prospect in August of 1977 and the property has moved into the development phase and is now being handled by the Company's new Mining Division.

By year end, surface installations comprising a head frame hoist room, service building and shaft collar were nearly complete. Plans call for a 3-compartment shaft to a depth of 1,250 feet with levels at 565, 770 and 970 feet below surface, to be started in April 1978. Extension of the existing decline, driven in 1975, to the 565 level has been started. Ore produced will be shipped about 30 miles by truck to the East Malartic mill with initial ore shipments expected in July 1978 and production rates rising to about 200,000 tons per year by April 1979. Capital and development costs for the project are expected to total \$4 million.

The Silverstack joint venture project, in which the Company controls 51%, through Silverstack Mines (SOQUEM, the exploration arm of the Quebec Government, controls 49%), was in the late stages of exploration at year end. Drilling of the Silverstack main No. 2 zone had advanced sufficiently to allow preliminary feasibility studies to commence. Drilling is continuing to explore for further ore horizons and to define the total ore reserve picture. A final ore reserve calculation on the main No. 2 zone should be available in the

second quarter of 1978. The property lies approximately two miles west of the Thompson Bousquet property. SOQUEM has the right to manage the operation for three years after the date of any production decision. At that time, management reverts to Silverstack.

Exploration activity reached an all-time high in this region and as a result of successes at Thompson Bousquet and Silverstack late in 1977, Long Lac Mineral acquired some 60,000 acres of land covering the extension of the favourable Blake River volcanics in Bousquet, Cadillac, Joannes, Clericy and La Pause Townships in northwestern Quebec. This project will involve the search for both base metals and gold; (significant massive sulfide deposits have been discovered along the western margin of this area).

Elliot Lake Region

Drilling on the Silvermaque property along with studies of the potential of the southern limb of the Elliot Lake syncline led to the optioning of the Abeta and the acquisition of the North American Nuclear uranium properties located within 6 miles and $\frac{3}{4}$ of a mile respectively of the Silvermaque property.

The drilling on the Silvermaque property (which is leased subject to a $3\frac{1}{2}\%$ gross royalty) confirmed and extended earlier projections regarding the property's ore potential. Further drilling may be required to establish a final tonnage and grade but a drill-indicated mineral inventory in the order of 5-10 million pounds of U_3O_8 would appear likely. It is of significance that the recent decision by Preston Mines Limited to re-open the former Stanleigh mine, which adjoins the Silvermaque property, confirms our belief that the southern limb of the Elliot Lake uranium deposits will once again become active.

The Abeta property had been drilled in the mid 1950's and approximately 2.5 million tons of ore grading one pound per ton had been outlined. The drill programme confirmed additional tonnage expectations but the indicated grade was disappointing and the option on this property was therefore dropped.

The North American Nuclear property is located approximately one-half mile south west of the Silvermaque property. Approximately 90% of this property is covered by the waters of Elliot Lake and has led to extra environmental precautions when conducting drilling operations on the shore. During 1977, two holes were put down on this property and both returned intersections of approximately one pound U_3O_8 per ton over widths of 8.5 to 12.0 feet. Since this 14 claim property had never been drilled, it is considered encouraging and a modest drilling programme is planned for 1978 on this property.

As a result of Long Lac Mineral's activities in Elliot Lake, E&B Resources of Calgary, a German owned uranium exploration company, entered into a joint venture agreement with Long Lac Mineral and contributed approximately half

the cost of exploration to date or \$380,000 for a 20% working interest in Long Lac Mineral's interest. Long Lac Mineral welcomes E&B's participation and plans to conduct further uranium exploration ventures with them.

Western Canada

An agreement in principle has been reached with Norex, an exploration subsidiary of Noranda Mines, to examine Long Lac Mineral's holdings in the North West Territories. For an expenditure of some \$220,000 Norex may earn a 51% interest in our Robb John Project.

A continuing reconnaissance programme on a number of mineral claims in southern British Columbia has resulted in the discovery of a large area of anomalous uranium values. A programme will be conducted this coming year to investigate these anomalies.

General

Drilling programmes in the United States and Spain proved the mineralization on properties held in these countries to be low grade and erratic. Only a minimal amount of follow-up work will be conducted on the property in the U.S.

Oil and Gas

Long Lac Mineral purchased a 25% interest in a number of oil and gas leases in the Sylvan Lake area of Alberta, under a farmout agreement effective September 27, 1977 with Renaissance Resources Ltd., as farmee and operator whereby Long Lac Mineral's interest would be reduced to a 12½% working interest upon payout or abandonment.

Manufacturing

Long Lac Mineral has acquired a controlling interest in Lamage Limited, North Bay, Ontario. Lamage is a high technology company producing a variety of diamond tools for the construction mining and manufacturing industries.

Financing

In March, 1978 Long Lac Mineral concluded arrangements for a \$4 million bank loan at prevailing interest rates as project financing for the Thompson Bousquet project. The Company's shareholders have entered into completion guarantees for the project. Repayment will be made in twelve equal quarterly installments commencing July 1979. This loan is secured by the assets and property comprising the Thompson Bousquet deposit and net proceeds from production will be used to retire the debt.

Ownership

It is management's intention to distribute Long Lac Mineral's earnings to the shareholder companies in proportion to the percentage breakdown of expenditures at the time of distribution. Beginning in 1976, shares in Long Lac Mineral were distributed to the participating companies in recognition of Long Lac Mineral's expenditures for assets, such as share purchases, that cannot be written off for tax purposes. The variation between the share percentages held and the percentage of funds contributed reflects the circumstances of the purchase of these non-depreciable assets. If these assets are disposed of at a future date or if dividends are paid, it is Management's intention to distribute the net proceeds according to the percentages of Long Lac Mineral shares held at the time of disposal or payment. Current rates of contribution by the shareholder companies reflect an adjustment made to reflect Lundor's inability to continue its level of participation after December 31, 1976.

Shareholder Company	% Contributed to 31 Dec. 1977*	% of Long Lac Mineral Shares Held	Current Rate of Contribution
Lake Shore Mines, Limited	24.751%	25.621%	26.315%
Little Long Lac Gold Mines Limited	23.653%	20.497%	21.053%
Willroy Mines Limited	19.240%	20.497%	21.053%
Wright-Hargreaves Mines Limited	10.211%	10.248%	10.526%
East Malartic Mines Limited	10.211%	10.248%	10.526%
Malartic Gold Fields Limited	10.211%	10.248%	10.526%
Lundor Mines Limited	1.724%	2.640%	Nil
Total	100.000%	100.000%	100.000%

*For expenditures other than nondepreciable assets.

Long Lac Mineral Exploration's successful results have been achieved following the formation in recent years of a capable and experienced exploration team under the leadership of Dennis G. Sheehan, Vice-President of the Company. His efforts and those of his staff are greatly appreciated. They have helped to build the foundation from which Long Lac Mineral Exploration will be able to complete the traditional mining cycle of exploration, financing, development and production.

March 27, 1978

On behalf of the Board of Directors

PETER A. ALLEN,
President

FINANCIAL DATA – LONG LAC MINERAL EXPLORATION LIMITED

The following expenditures have been made since Long Lac Mineral Exploration was incorporated in 1967.

	1977	Lifetime Total
Exploration	\$1,454,665	\$4,946,153
Mine Development	964,781	1,427,306
Share Purchases	2,032,516	3,194,628
Mineral Property Purchases	288,060	308,968
TOTAL	\$4,740,022	\$9,877,055

PRINCIPAL INVESTMENTS	No. of Shares	Market Value December 31, 1977
Silverstack Mines Ltd.	2,675,525	\$2,836,057
Thompson Bousquet Mines Ltd.	1,328,617	1,860,064
Copper Giant Mines Ltd.	2,395,027	143,702
Others	—	236,591

EXPLORATION FIELD OFFICES – LONG LAC MINERAL EXPLORATION LIMITED

B.C. 1680-1050 West Pender Street
Vancouver, B.C. V6C 3S7
Phone: (604) 685-0531

QUEBEC Box 1150
Malartic, Quebec J0Y 1Z0
Phone: (819) 757-3437

Malartic Gold Fields (Quebec) Limited
(No Personal Liability)
(Incorporated under the laws of Quebec)

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1977

	1977	1976
Assets		
CURRENT ASSETS		
Cash and short term deposits	\$ 949,052	\$ 317,776
Marketable securities, at cost less allowance for decline in quoted market value 1977, \$168,000; 1976, \$275,000 (quoted market value 1977, \$375,000; 1976, \$560,000)	374,186	559,788
Accounts receivable	22,905	18,790
Receivable from broker on security transactions		128,612
Prepaid expenses	7,415	6,221
	<u>1,353,558</u>	<u>1,031,187</u>
OTHER INVESTMENTS		
Effectively controlled companies (note 2)	5,007,381	3,887,898
Other companies (note 3)	1,289,744	3,811,073
	<u>6,297,125</u>	<u>7,698,971</u>
FIXED ASSETS		
Buildings, machinery and equipment, less accumulated depreciation	5,274	8,887
Mill equipment parts and supplies, at estimated realizable value	109,769	176,997
Mining properties, at nominal value	2	2
	<u>115,045</u>	<u>185,886</u>
EXPLORATION AND DEVELOPMENT EXPENDITURES DEFERRED		
	62,776	
	<u>\$7,828,504</u>	<u>\$8,916,044</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 10,952	\$ 4,012
Payable to associated companies	10,251	6,138
	<u>21,203</u>	<u>10,150</u>
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY		
	<u>10,115</u>	<u>9,998</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 4)		
Authorized — 5,000,000 shares of \$1 each		
Issued — 4,486,378 shares	4,486,378	4,486,378
Less discount on shares	<u>3,224,607</u>	<u>3,224,607</u>
	1,261,771	1,261,771
Contributed Surplus	617,026	617,026
Retained Earnings	5,918,389	7,017,099
	<u>7,797,186</u>	<u>8,895,896</u>
	<u>\$7,828,504</u>	<u>\$8,916,044</u>

Approved by the Board
Director P. A. ALLEN
Director I. T. H. HAMILTON

Malartic Gold Fields (Quebec) Limited
(No Personal Liability)

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1977

	1977	1976
Revenue		
Investment income	\$ 70,442	\$ 46,603
Operating expenses		
General expenses at the property	178,956	163,290
Mine Office and supervision	7,478	6,654
Administrative and corporate expenses	33,259	36,619
	219,693	206,563
Loss before undernoted items	149,251	159,960
Depreciation	656	720
Outside exploration	120,291	58,297
	120,947	59,017
	270,198	218,977
Reduction in allowance for decline in market value of marketable securities	107,000	65,000
Interest in earnings less losses of effectively controlled companies (note 2)	113,848	(322,795)
Loss on sale of securities	(23,404)	(20,474)
Securities written down	(162,950)	
	34,494	(278,269)
Interest of minority shareholders in subsidiary company's earnings (losses)	117	(391)
	34,377	(277,878)
Loss before extraordinary items	235,821	496,855
Extraordinary items		
Loss on sale of investment in associated company	862,889	
Interest in extraordinary items of effectively controlled companies (note 2)		(7,980)
	862,889	(7,980)
LOSS FOR THE YEAR	\$1,098,710	\$ 488,875
LOSS PER SHARE		
Loss before extraordinary items	5¢	11¢
Loss for the year	25¢	11¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1977

	1977	1976
BALANCE AT BEGINNING OF YEAR	\$7,017,099	\$7,505,974
Loss for the year	<u>1,098,710</u>	<u>488,875</u>
BALANCE AT END OF YEAR	<u>\$5,918,389</u>	<u>\$7,017,099</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1977

	1977	1976
WORKING CAPITAL DERIVED FROM		
Proceeds on sale of other investments	\$1,833,321	\$ 13,499
Advance to associated company converted to shares	127,418	
Proceeds on sale of machinery and equipment	4,250	
Disposal of mill equipment parts and supplies (net)	<u>67,228</u>	
	<u>2,032,217</u>	<u>13,499</u>
WORKING CAPITAL APPLIED TO		
Operations	190,056	181,583
Additions to mill equipment parts and supplies (net)		10,860
Purchase of shares		
Effectively controlled companies	1,005,635	850
Other companies	127,418	
Exploration and development expenditures deferred	62,776	
Advances to associated company	<u>335,014</u>	<u>62,435</u>
	<u>1,720,899</u>	<u>255,728</u>
INCREASE (DECREASE) IN WORKING CAPITAL	311,318	(242,229)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>1,021,037</u>	<u>1,263,266</u>
WORKING CAPITAL AT END OF YEAR	<u>\$1,332,355</u>	<u>\$1,021,037</u>

AUDITORS' REPORT

To the Shareholders of
Malartic Gold Fields (Quebec) Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Malartic Gold Fields (Quebec) Limited (No Personal Liability) as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1977

1. ACCOUNTING POLICIES

(a) *Basis of consolidation*

The accounts of the 75% owned subsidiary, Marban Gold Mines Limited, have been consolidated with those of the parent company.

(b) *Marketable securities*

Marketable securities are recorded at cost less an allowance for decline in quoted market value which is adjusted annually at each year end.

(c) *Effectively controlled companies*

Commencing January 1, 1973, effectively controlled companies have been recorded on the equity basis.

The investment on the balance sheet is recorded at cost less an allowance for decline in value as at January 1, 1973 of \$420,000 plus the company's share of undistributed earnings less losses since that date. The statement of income includes the company's share of income or losses for the year.

The company, after examination of the circumstances relating to these investments, believes that the most reasonable interpretation of an "effectively controlled company" is one in which the company's investment exceeds 20% but is less than 50% of the issued and outstanding shares of the effectively controlled company.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(d) *Other companies*

Investments in listed associated companies are recorded at cost less an allowance for decline in market value established at December 31, 1973. At December 31, 1977, the balance of this allowance remaining is \$20,000 (\$1,150,000 at December 31, 1976). Investments in other associated companies are recorded at cost.

Other investments which the company considers to be long term in nature are recorded at cost less amounts written off. Investments in which the value becomes permanently impaired are written off or down to an estimated net realizable value.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(e) *Fixed assets*

(i) Buildings, machinery and equipment

Buildings, machinery and equipment are stated at cost. Depreciation is provided on the straight-line basis at 10% annually.

(ii) Mining properties

Mining properties are originally recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

(f) *Exploration and development expenditures*

Exploration and development expenditures are deferred on certain specific projects conducted by a joint exploration company of which Malartic Gold Fields is a participant. Malartic Gold Fields' portion of the expenditures on these projects will be deferred until such time as they commence production or are considered to be permanently uneconomical. When a project is considered to be permanently uneconomical, the related deferred expenditures are written off.

2. EFFECTIVELY CONTROLLED COMPANIES (see note 1(c))

	1977	1976
Balance at beginning of year	\$3,887,898	\$4,201,863
Cost of shares purchased during year	1,005,635	850
Interest in earnings less losses for the year		
Before extraordinary items	113,848	(322,795)
Extraordinary items		7,980
Balance at end of year	<u>\$5,007,381</u>	<u>\$3,887,898</u>
Listed securities (having a quoted market value 1977, \$5,245,000; 1976, \$2,849,000)	\$3,363,610	\$3,252,524
Other securities	<u>1,643,771</u>	<u>635,374</u>
	<u>\$5,007,381</u>	<u>\$3,887,898</u>

3. OTHER COMPANIES (see note 1(d))

	1977	1976
Shares in associated companies		
Listed (quoted market value 1977, \$608,000; 1976, \$2,090,000)	\$ 643,312	\$3,336,703
Other, at cost		
Shares	129,918	2,500
Advances	335,016	127,421
Shares in other companies		
Listed, at cost less amounts written off (quoted market value 1977, \$120,000; 1976, \$90,000)	132,475	295,425
Other, at cost less amounts written off	<u>49,023</u>	<u>49,024</u>
	<u>\$1,289,744</u>	<u>\$3,811,073</u>

4. CAPITAL STOCK

At December 31, 1977, incentive options are outstanding on 20,000 shares of capital stock, exercisable to February 21, 1978 at 85¢ per share. Subsequently the options expired.

5. INCOME TAXES

At December 31, 1977, the companies have the following available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

Losses carried forward on a tax filing basis available until:

	Malartic Gold Fields (Quebec) Limited	Marban Gold Mines Limited
1978		\$ 26,000
1980	\$ 235,000	230,000
1981	175,000	1,000
1982	<u>150,000</u>	
	560,000	257,000
Excess of undepreciated capital cost and exploration and development expenditures deferred for tax purposes over their related net book values	<u>1,214,000</u>	<u>243,000</u>
	<u>\$1,774,000</u>	<u>\$ 500,000</u>

6. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective October 14, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders.

In the opinion of management, the company has complied with this Act.

7. OTHER STATUTORY INFORMATION

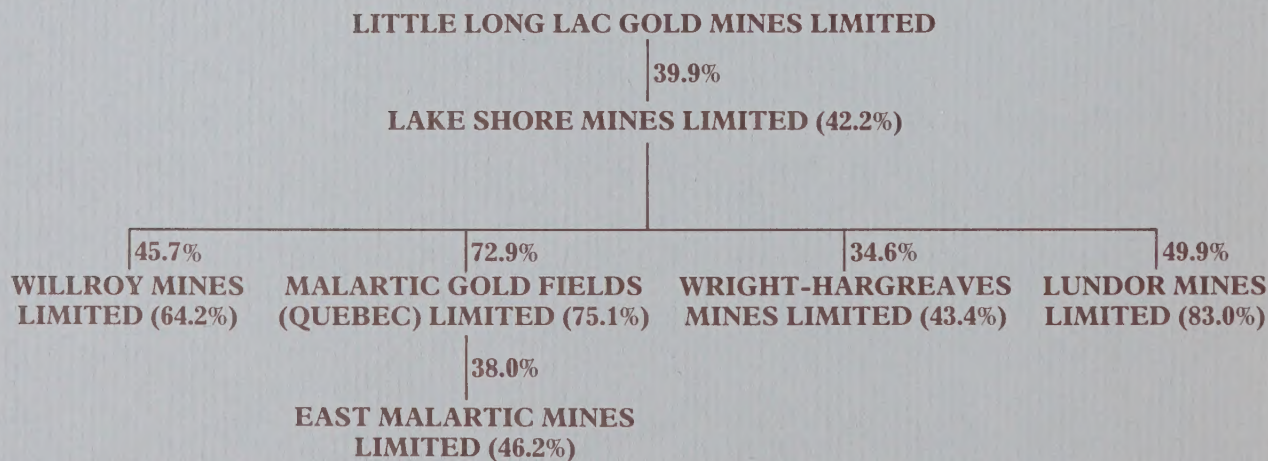
Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1977	1976
Directors and officers	\$ 6,000	\$ 6,000
Mill employees		9,220
	<u>\$ 6,000</u>	<u>\$ 15,220</u>

MARKETABLE INVESTMENTS

	No. of Shares	Market Value on 31 Dec. 1977
Valley Copper Mines Ltd.	41,000	\$297,250
Vestgron	5,000	\$ 51,250
Others	—	\$ 26,500

THE LAC GROUP OF COMPANIES



Key

| X% — holding company control position

LIMITED (Y%) — % held within Lac Group

